

Presentation Materials of Involved External Parties

KLD

Alliance Bernstein

Genesis Asset Managers

Batterymarch Asset Managers

Lazard Asset Managers

Pictet Asset Managers

Dimensional Fund Advisors (DFA)

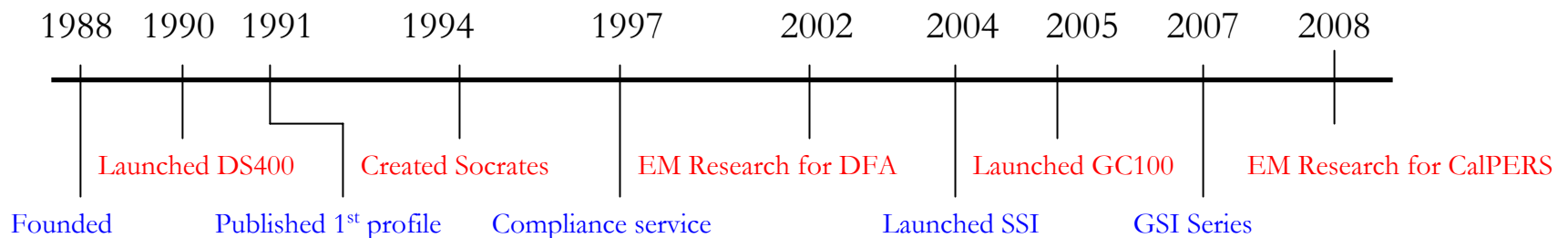


Michelle Lapolla

Managing Director, Consulting Services

KLD Research & Analytics

- Founded in 1988
- Independently owned
- Published first research on ESG risks/opportunities
- Staff of 50+
- Over 400 clients



➤ CalPERS Emerging Equity Market Principles

- ✓ KLD focuses on company-relevant Principles 3 and 4, but all are taken into account for ESG analysis

➤ Overall Company Performance Rating

- ✓ KLD assigns companies a Pass, Watch List or Red Flag rating based on ESG performance

➤ Company Scores for Principles 3 and 4

- ✓ KLD assigns scores for Principles 3 and 4 on a three-point scale based on positive or negative performance

1. Company

Direct Communication and
CSR Disclosure

2. Global Partners

Access to research firms with
regional knowledge on issues
and regulation

3. Media

Over 14,000
global news
sources



KLD
Knowledge
Base

4. Public documents

All major government
filings reviewed plus
annual report and CSR
report

5. Government & NGO information

Including: GRI, U.S. State Department, EPA, Human Rights
Watch, OSHA, Amnesty International, Friends of the Earth

➤ Experience

- ✓ KLD has analyzed emerging market company ESG performance for CalPERS since 2002 through its work for external managers like DFA

➤ Broad-based Approach to Screening Criteria

- ✓ Identification of all major ESG performance issues relating to ILO Conventions and Global Sullivan Principles (Principles 3 and 4)

➤ Multi-Stakeholder Approach

- ✓ KLD relies on independent data sources for rating company performance relative to a broad range of stakeholders

➤ Transparency

- ✓ Transparent ratings decisions accompanied by supporting details on company performance



California Public Employees' Retirement System

May 12, 2008

HENRY D'AURIA

*Chief Investment Officer -
Emerging Markets Value Equities*

BONNIE ORLOWSKI

Director – Global Business Development

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- **The valuation spread between emerging and developed has continued to narrow. Currently, emerging markets trade at a modest discount to developed markets.**
- **We find that macro-economic risks in this region are lower than they have been historically.**
- **Emerging-market companies continue to be more profitable than their developed-market peers.**
- **Valuation spreads within Emerging Markets remain wide.**
- **We continue to find particularly compelling opportunities in industrial commodity and technology stocks, as well as in the more attractively valued financials.**

Emerging Markets Equity Principles Are Part of Our Process

Attachment 2

- Premium driven by stock selection
- Value investing philosophy
- Intensive fundamental and quantitative research
- Investibility principles incorporated into fundamental research process

Impact of Including CalPERS Emerging Markets Equity Principles ^{Attachment 2}

- **Bernstein incorporates the CalPERS Emerging Markets Equity Principles into our investment process and we have always used similar principles for our other accounts.**
- **Rejected companies are not purchased on behalf of any clients.**
- **Previous Permissible Markets policy main cause of CalPERS account underperforming other Bernstein Emerging Markets Value portfolios.**
- **As we incorporate similar principles across all of our portfolios, there are few differences today between stocks owned in CalPERS' portfolio and other Bernstein portfolios.**



**Presentation to
California Public Employees'
Retirement Fund**

Emerging Markets

12th May 2008

Opportunities in Emerging Market Equities

- Growth
 - significant growth differential between emerging markets and developed world, supported by powerful themes
 - universe of potential investments continues to expand
- Diversification benefits
 - by country and economic sector
- Market inefficiencies
 - continue to exist at country and company level

Focused stockpicking can take advantage of these opportunities

Incorporation of the CalPERS Principles

- ‘Macro’ Principles determine the attractiveness of company’s operating environment
- Genesis rigorously applies Principles at the company level too
- Our investment process focuses on appropriate treatment of shareholders, workforce and environment

Principles are a natural fit with how we work

Impact of including the CalPERS Principles

- **Impact on Process:** Principles communicated to company managements during interviews
 - a key qualitative area of the process
 - Principles lend our questions extra weight
- **Impact on Performance:**
 - Genesis portfolios have produced annualised returns of 34.9% since July 2002
 - CalPERS' portfolio has generated 30.2% p.a. over same period

*Performance given is for Genesis 'Commingled Fund' for US ERISA-qualified pension plans:
annualised performance, net of fees, from 31st July 2002 to 31st December 2007*



BATTERYMARCH
FINANCIAL MANAGEMENT, INC.


Attachment 2



Global Emerging Markets Equity

California Public Employees' Retirement System

May 12, 2008



David W. Lazenby, CFA

Director and Senior Portfolio Manager

Patricia A. Crane

Director, Client Service



Opportunities in Emerging Markets

■ Emerging Markets Overall

- Valuations in line with developed markets (11.4x fwd P/E for MSCI EM vs. 11.9x for MSCI World) but with somewhat better expected EPS growth (16% vs. 11%) and ROE (16.6% vs. 15.8%), despite more conservative financial leverage (53% vs 110%)

■ Asia

- More leveraged to the global economy, so has underperformed during the recent global market correction – bringing valuations and expected returns more in line with EM peers

■ Latin America

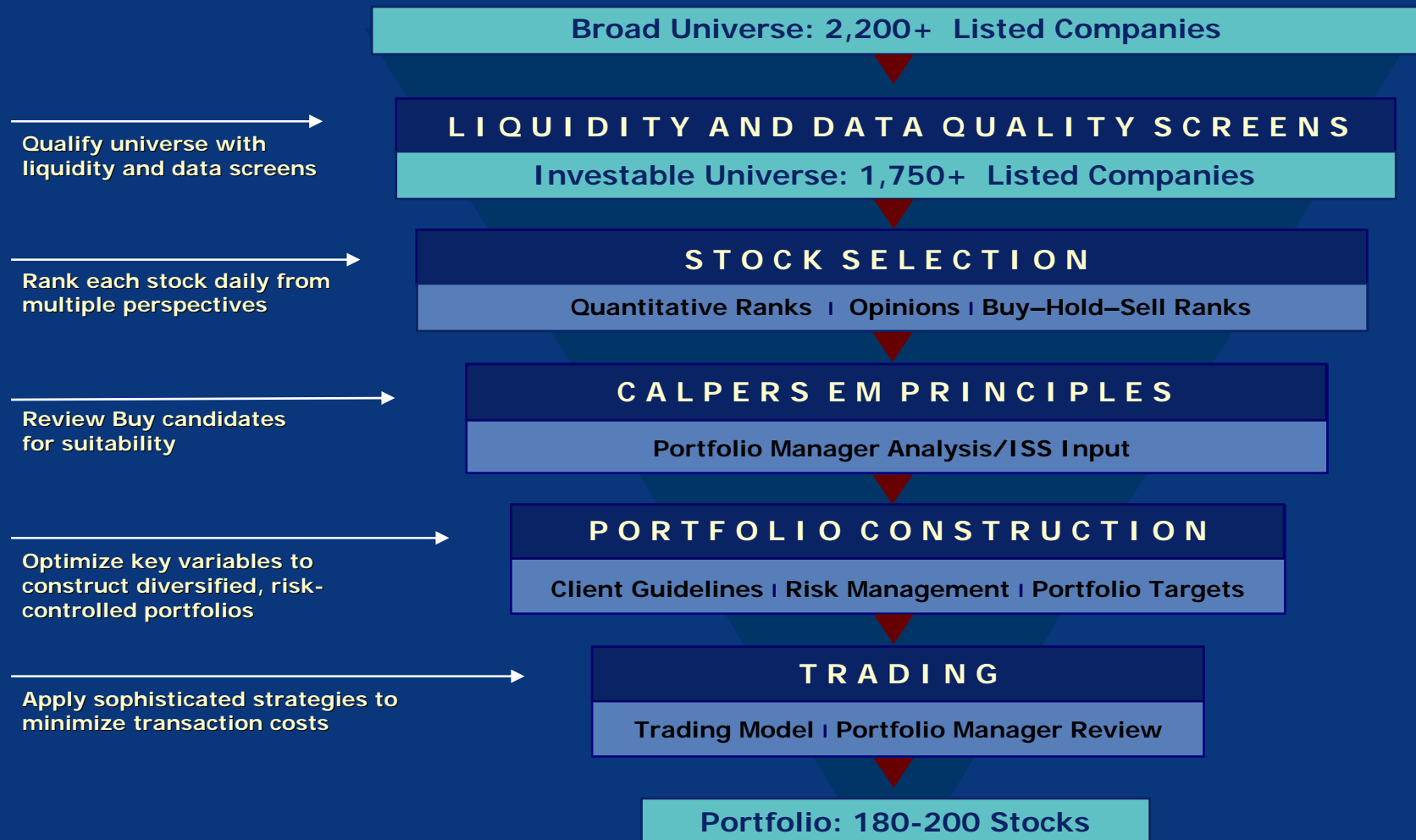
- Improved domestic fundamentals, derived from commodity price strength and fiscal prudence, have reduced vulnerability to global conditions - but are increasingly reflected in prices

■ Europe/Middle East/Africa

- Supported by oil price-driven domestic liquidity. Turkey and South Africa are more vulnerable to global conditions – but are increasingly valuation outliers

Incorporating CalPERS' Emerging Markets Principles

Rigorous Investment Process



Impact of the CalPERS' Principles

- Since inception (May 31, 2007) the Batterymarch CalPERS account underperformed our representative emerging markets account and our emerging markets composite
- The performance difference is largely explained by benchmark differences; excess return versus the respective benchmark is very similar for both
- Since the change to the principles-based approach (October 31, 2007) the Batterymarch CalPERS account has outperformed our representative emerging markets account
- The performance difference is, again, largely explained by benchmark differences; however, excess return versus the respective benchmark was meaningfully better for our representative account due to holdings outside CalPERS approved markets
- Because our process allows us to efficiently analyze a large universe of companies, we believe our comparative advantage increases when the opportunity set expands. We therefore, welcome the expanded universe and discourage constraints on the investable universe

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California Public Employees' Retirement Systems

Lazard Emerging Markets Equity Presentation

May 12, 2008

LAZARD ASSET MANAGEMENT

Taking Advantage of Opportunities in Emerging Markets

- Lazard Asset Management follows a relative value, bottom-up approach across emerging markets with a focus on companies that have higher levels of financial productivity and low levels of valuation.
- Over the last six to nine months, emerging markets, like global markets in general, have experienced higher levels of volatility. Our expectations are that careful stock picking will, over time, allow us to exploit mispricings.
- We are currently finding value in Brazil, Indonesia, Egypt, Israel, Turkey and South Africa. By sector, technology, consumer staples, consumer discretionary, and financials.

Incorporation of the CalPERS Emerging Markets Equity Principles?

- Principles are embodied in Lazard's research & portfolio management approach.
- Lazard Asset Management vigorously applies principles at the company level.
- Our investment process focuses on our appropriate treatment of shareholders, workforce and environment.

Impact of including CalPERS' Principles?

Impact on performance:

- Lazard's portfolios* have produced a return of 2.3%** since August 2007.
- CalPERS' portfolio has generated a return of 1.6% over the same period.

*Lazard's performance is for our "commingled trust" for the U.S. Pension Plans.

**as of March 31, 2008



California Public Employee's Retirement System

Pictet Asset Management Limited Investment Committee Report

12th May 2008

Opportunities in Emerging Markets and how we take advantage of them

Attachment 2



■ Opportunities

1) Growth factors

- Rising working populations
- Growing urban centres
- Penetration of consumer goods
- Infrastructure development
- International expansion of company franchises

2) Valuation characteristics

- Exaggerated market cycles
- Market inefficiencies abound
- Challenge to comparing earnings across the emerging markets

3) Increasing investment choice

- Development of capital markets
- New markets, listings
- Improving corporate disclosure

■ How we take advantage of them

- Pictet's investment process is based on fundamental stock selection with a valuation bias
- Proprietary database uses a capacity based valuation methodology
- Our valuation approach helps to identify mis-priced companies early and effectively across emerging markets
- Objective valuation methodology gives clear signals in volatile market conditions
- Fundamental analysis of a business franchise conducted on every stock opportunity

Incorporation of CalPERS Emerging Equity Market Principles into the investment process



- Company fundamental analysis forms an essential part of our process
- Corporate governance will ultimately affect the value of a company franchise and the CalPERS principles are naturally taken into account in our assessment of the long-term prospects of a company
- Direct company contact provides a primary source of information and Pictet undertakes over 1,000 company meetings each year with senior management
- Our country risk analysis is based on macroeconomic and financial factors. To the extent that the CalPERS country principles add to financial or macroeconomic risks, such considerations are implicitly taken into account.
- Our “on the ground” company meetings are supplemented by regular contact with local politicians, economists, journalists and regulators
- Companies are formally scored on a 1-3 basis (1-low, 3-high) for each factor behind the 8 CalPERS principles.



What is/has been the impact of including the Principles

- Formal scoring and regular review of CalPERS principles across all investible emerging countries
- Increasing dialogue with corporate leaders regarding corporate governance issues
- Extension of information sharing with Pictet group resources
- List of uninvestible and at risk securities and/or countries
- Monitoring of changes in rank of companies and countries according to the CalPERS principles



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Dimensional Fund Advisors

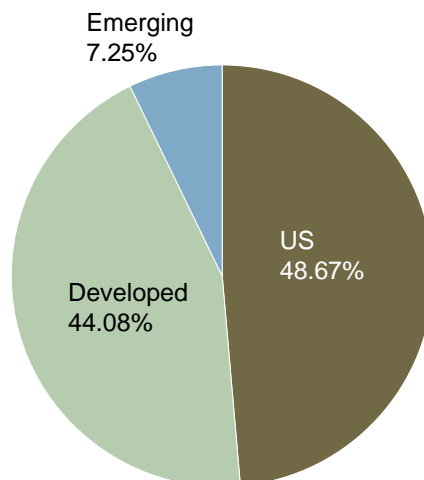
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We Live in a Global Economy

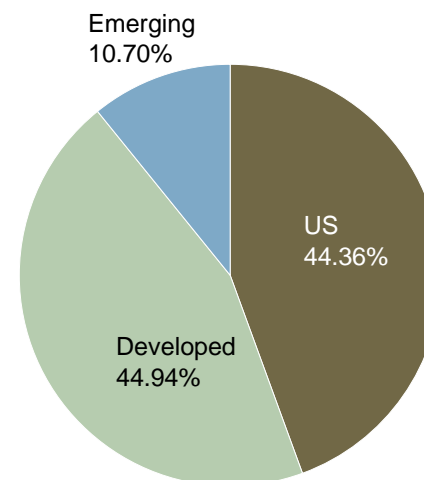
Why International?

- Global economy.
- Improved diversification.
- Maximize opportunities for higher returns.
- Concerns?

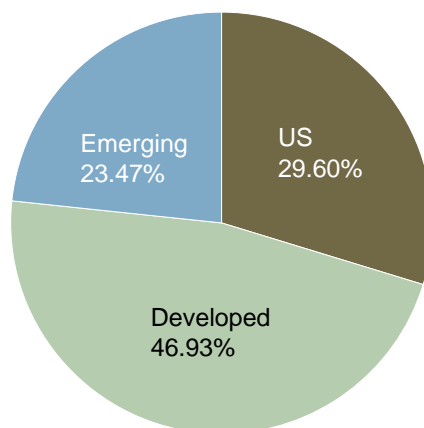
2006 Market Caps



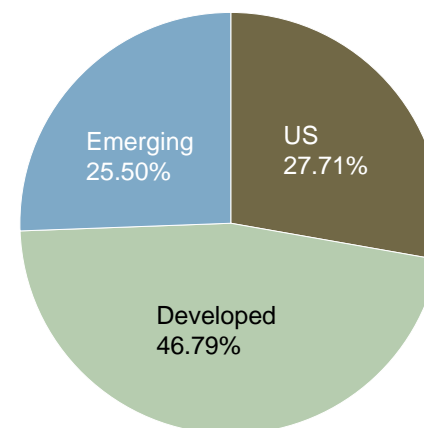
2007 Market Caps



2006 GDP



2007 GDP (est.)



Incorporation of CalPERS Principles

- Dimensional utilizes a comprehensive process, involving both quantitative and qualitative screens to deliver focused exposure to emerging markets countries and companies.
- In addition to performing its own proprietary research, Dimensional engages KLD Research & Analytics, Inc. (KLD) to prepare reports that specifically address the CalPERS Emerging Equity Market Principles for countries and companies in emerging markets.
- At a country level, Dimensional incorporates the principles as an additional overlay to its proprietary country screening process. As part of the overlay analysis, Dimensional utilizes its own country eligibility criteria, as well as, the KLD reports in assessing countries potentially eligible for the portfolio.
- At a company level, in addition to Dimensional's quantitative and qualitative screening process, KLD's specific screening expertise is applied to address issues associated with social responsibility, labor relations, and human rights. These include screening companies that are in violation of The Global Sullivan Principles or do not adhere to the ILO Declaration of Fundamental Principles and Rights to Work.

Impact of Principles-Based Approach

Implementation Impact

- Significant overlap with existing DFA Methodology.
- Additional considerations.

Exposure Impact

- Potential inclusion of new countries.
- Potential inclusion of new companies.
- Potential exclusion of existing companies.